



Kentucky Real Estate Appraisers Board

To: All applicants for credential and all current KREAB Licensees of Associate, Licensed Real Property and Certified Residential Real Property Appraiser

From: Larry Disney, Executive Director

Date: March 20, 2007

Subject: Kentucky Real Property Appraiser Qualifying Education, Experience and Examination

This information shall apply to anyone who is 1) planning to seek a Kentucky credential, 2) currently a KREAB credentialed appraiser who is supervising Associate Appraisers, 3) planning to sit for appraiser qualifying education or the national qualifying examination, or 4) currently a KREAB Associate Real Property Appraiser, Licensed Real Property Appraiser, or Certified Residential Real Property Appraiser.

The Kentucky Real Estate Appraisers Board originally adopted the "Firm Date" scenario for implementing the revised 2008 "Appraiser Qualification Board" (AQB) criteria. However, at the March 28, 2007 Board meeting the Board voted to extend the time for gaining qualifying experience up to 12:00 am on January 1, 2010. Therefore, any applicant who completes the current qualifying appraiser education, the national qualifying examination, and logs at least one hour of appraisal-related experience prior to 12:00 am on January 1, 2008 could possibly have twenty-four (24) months, depending upon the date an individual applicant began logging experience, to complete all remaining experience he/she lacks for obtaining one of the appraiser credentials listed in 201 KAR 30:030.

The rationale for extending the time for experience is because of the following language within the current 201 KAR 30:050, Section 1, Item (2), "Scores from the examinations shall be acceptable for two (2) years."

It should be understood that the two (2) year extension is not based only on the passage of time from December 31, 2007; rather it is totally dependent upon the date when an applicant shall have successfully completed the **current** "AQB" approved qualifying examination and began logging their first hour of appraisal-related experience. Therefore, the proper measure of time extension for experience shall be two (2) years from the date of logging the first hour of appraisal-related experience.

Beginning January 1, 2008 the only qualifying examination available for State appraiser regulatory agencies to approve shall be the AQB's 2008 examination. The current examination shall only be available until December 31, 2007; therefore, the maximum time permitted for examination score validity is based upon the AQB minimum criteria language that "Successful completion of the examination is valid for a period of 24 months."

Based upon the above, the following dates are critical for deciding whether an applicant can receive a credential with the current criteria or must meet the revised 2008 criteria requirements.

Certified General Real Property Appraiser – Only those individuals who began logging experience on or before July 1, 2006 can meet the current 30-month requirement for experience.

Licensed Real Property Appraiser and Certified Residential Real Property Appraiser – Only those individuals who began logging experience on or before January 1, 2007 can meet the current 24-month requirement for experience.

In Kentucky any applicant wishing to obtain an initial credential or move from a current to another credential must first complete the components of applicable current education, the current national examination and demonstrate having logged at least one hour of appraisal-related experience prior to January 1, 2008 or you will be required to comply with the revised 2008 criteria, including all required college semester hours or college degree specific to the program for which you are applying.

If you cannot complete the current criteria for education and examination components by January 1, 2008 the education course in which you are currently enrolled or planning to enroll in today might not be approved to meet the 2008 criteria. Therefore, you are urged to communicate with any education provider and instructor prior to enrolling in appraiser education courses and ask them specific questions, some of which are provided in the attachments of this document.

Also, contact the Kentucky Real Estate Appraisers Board with any questions you might have prior to enrolling in classes or applying for a credential.

KREAB Licensee Alert

The attached is intended to as an advisory for education providers and for distribution to students enrolling in real property appraisal classes.

Please note that the attachment includes five (5) critical components with two (2) Advisories:

1. The KREAB Advisory #1 dated August 29, 2005;
2. The KREAB Advisory #2 dated August 29, 2005,
3. The “AQB Criteria” explaining current and revised criteria. The student is requested to sign the two advisories, keep one copy of each in the student tracking handbook and return one copy of each to the Board office for purposes of verifying that he/she has been served constructive notice of the changes and expectations;
4. Please note that on or after January 1, 2008 individuals holding the credential of Kentucky Licensed Real Property and Certified Residential Real Property will no longer be permitted to appraise properties greater than 1-4 family residential use for real estate related loan transactions greater than \$250,000.
5. Please note that on or after January 1, 2008 qualifying experience will be awarded only for applicants who are 1) at the time of application have obtained an Associate Real Property Appraiser credential and 2) at the time of application are directly supervised by a supervising appraiser in good standing, is in compliance with the requirements in 201 KAR 30:050, and who is state certified. Therefore, Licensed Real Property Appraisers will not qualify to become a supervising appraiser on or after January 1, 2008.



Anyone who anticipates he/she will be practicing, or supervising others, in the appraisal of properties with uses greater than 1-4 family residential occupancy must complete at minimum a KREAB approved 15-hour core class content in the topics of “*Basic Income Property Appraisal*.”

KREAB Education Provider Alert

Required Core Curriculum Content 01-01-08

The attached is intended to be used by education providers and for distribution to students enrolled in real property appraisal classes.

The core curriculum includes the topic matrix for each of the appraiser qualification criteria credentials currently listed in 201 KAR 30:035, Section 1.

The core curriculum topic matrix is followed by the AQB suggested outline for each course topic. The Kentucky Real Estate Appraisers Board suggests that each education provider review this material and survey all current class offerings in comparison with the required updated core content.

Using the current information it is suggested each provider 1) review the outline contents in the attached documents and determine if each current course offering contains sufficient depth and breadth of required information to assist the students in preparing for the current required experience training and the required qualifying examination, and 2) use the information in building a future core curriculum and for developing the required additional courses that will comply with the updated criteria. The objective is to ensure that every education provider make sufficient courses available for meaningful education hours in core content that will permit mastery of the knowledge to successfully complete the training experience and the revised qualifying examination. Also, it is intended that students can take qualifying education from more than one approved provider in Kentucky or providers in other States and not suffer the omission of any content in any course matrix.

Throughout 2007 the KREAB will be providing training sessions for education providers, applicants, current credential holders, and prospective applicants. To learn more about specific dates and times for courses or find approved providers it is suggested you regularly visit the KREAB web-site. www.kreab.ky.gov

Also, clarifying AQB criteria information is available at The Appraisal Foundation, Appraiser Qualifications Board web-site. www.appraisalfoundation.org



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KREAB Advisory - AQB 2008 Criteria

Credential Type	Pre-License Education Requirements Under Current Criteria	Pre-License Education Requirements Under NEW Criteria (1/1/08)
Associate	75 – Hours	90 - Hours
Licensed	90 Hours. Cannot be started after 07/01/07 without experience (24-Months)	195 - Hours and Associate Degree or 21 – Semester College Hours*
Certified Residential	120 Hours. Can not be started after 01/01/07 without experience (24-months)	215 - Hours and Associate Degree or 21-Semester College Hours**
Certified General	180 Hours. Can not be started after 07/01/06 without experience (30-months)	300 Hours and Bachelor Degree or 30-Semester College Hours***

Appraisal Experience Requirements will remain 2,500 of hours appraisal experience in no less than 24 months for Licensed Residential Real Property credential; 2,500 hours appraisal experience in no less than 24 months for Certified Residential credential; 3,000 appraisal experience hours in no less than 30 months for Certified General credential with at least 1,500 hours being of commercial appraisal experience (greater than 1-4 family occupancy use). Also, effective January 1, 2008, experience hours can only be obtained while under the direct supervision of a certified appraiser. Therefore, experience hours obtained under the supervision of a licensed appraiser will not be credited as of 12:00 am January 1, 2008. :

In order to ensure that every candidate for licensure is informed of the pending changes and understands the consequences of ignoring the newly mandated Criteria, your licensed Appraisal Education Provider is required to notify you of the pending changes via this alert. Your Licensed Education Provider is required to spend the necessary time in each Kentucky accredited real property appraiser education course making you aware of the pending changes to the Criteria. It is assumed that once you have received this alert and been given the necessary guidance from your Kentucky Appraisal Education Provider that you fully understand the pending changes.

You are requested to sign this form acknowledging that you have received this alert and been given the opportunity to have the pending changes explained. Keep a copy of this form in your student tracking handbook and forward one to the Board office.

Course _____ Current Provider _____

Applicant or Current Licensee _____ Date _____



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KREAB ADVISORY – 2008 Examination Revision

The new requirements **may** mean that the course you are now taking **may not** meet the education requirements if you do not successfully complete **education** requirements for the credential of Licensed, Certified Residential, or Certified General Real Property Appraiser by **January 1, 2008**.

Also, **January 1, 2008** the content of the National Qualifying examination required to obtain a real property appraiser credential will be revised. Therefore, the education you are taking today may not suffice as preparation for the revised examination.

The KREAB advises that prior to sitting through any qualifying education class that a provider advertises as Board approved, you ask the following questions:

1. Will the education content presented in this class count for the 2008 AQB Course content?
2. Will the education content presented in this class prepare me for the current national qualifying examination and for the 2008 AQB revised national qualifying examination?

Upon receiving the answer, if affirmative, request the education provider or his/her representative acknowledge the answer in writing. The KREAB suggests you use this form for recording answers to your questions, and you submit a copy to the KREAB office if there is a question or a problem in the future.

You are requested to sign this form acknowledging that you have received this alert and been given the opportunity to have the pending changes explained. Keep a copy of this form in your student tracking handbook and forward one to the Board office.

Course_____ Provider_____

Applicant_____ Current License_____

Date _____



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*January 1, 2008 Licensed Real Property Appraiser Certification Requirements

I. General Information

A. The Licensed Residential Real Property Appraiser Classification applies to the appraisal of non-complex one to four residential units having a transaction value less than \$1,000,000 and complex one to four residential units having a transaction value less than \$250,000.

B. Complex one- to four-family residential property appraisal means one in which the property to be appraised, the form of ownership, or the market conditions are atypical.

C. For non-federally related transaction appraisals, transaction value shall mean market value.

1. The classification includes the appraisal of vacant or unimproved land that is utilized for one to four family purposes or for which the highest and best use is for one to four family purposes.
2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.

II. All Licensed Residential Real Property Appraisers must comply with the COMPETENCY RULE of USPAP.

III. Qualifying Education

A. Applicants for the Certified Residential license must hold an Associate degree, or higher, from an accredited college, junior college, community college, or university, unless the requirements of Section III.B are satisfied.

B. In lieu of the Associate degree, an applicant for the Certified Residential license shall successfully pass the following collegiate subject matter courses from an accredited college, junior college, community college, or university:

1. English Composition;
2. Principles of Economics (Micro or Macro);
3. Finance;
4. Algebra, Geometry, or higher mathematics;
5. Statistics;
6. Introduction to Computers –Word processing /spreadsheets; and
7. Business or Real Estate Law.

Total credits are the total hours of equivalent college courses in lieu of an Associate degree or 21 semester credit hours for the Certified Residential appraiser. If an accredited college or university (as previously defined) accepts the College-Level Examination Program® (CLEP) examination(s) and issues a transcript for the exam, showing its approval, it will be considered as credit for the college course.

C. The prerequisite for taking the AQB approved examination is completion of one hundred ninety-five (195) creditable class hours as specified in the required Core Curriculum Appendix. The applicant shall also complete the 15-hour National USPAP Course, or its equivalent including successful completion of the examination, and complete 15-hours of “basic income property appraising” as required by 201 KAR 30:050. An outline of the course contents for basic income property appraising is included as an attachment to this document.

IV. Experience: Two thousand five hundred (2,500) hours of experience obtained during no fewer than twenty-four (24) months is required. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.



****January 1, 2008 Certified Residential Real Property Appraiser Certification Requirements**

- I. General Information
 - A. The Certified Residential Real Property Appraiser Classification qualifies the appraiser to appraise one to four residential units without regard to value or complexity.
 - 1. The classification includes the appraisal of vacant or unimproved land that is utilized for one to four family purposes or for which the highest and best use is for one to four family purposes.
 - 2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.
 - B. All Certified Residential appraisers must comply with the COMPETENCY RULE of USPAP.
- II. Examination
 - A. The AQB approved Certified Residential Real Property Appraiser Examination must be successfully completed. There is no alternative to successful completion of the examination.
 - B. The Certified General Real Property Appraiser Examination is not equivalent to the Certified Residential Real Property Appraiser Examination.
- III. Qualifying Education
 - A. Applicants for the Certified Residential license must hold an Associate degree, or higher, from an accredited college, junior college, community college, or university, unless the requirements of Section III.B are satisfied.
 - B. In lieu of the Associate degree, an applicant for the Certified Residential license shall successfully pass the following collegiate subject matter courses from an accredited college, junior college, community college, or university:
 - 1. English Composition;
 - 2. Principles of Economics (Micro or Macro);
 - 3. Finance;
 - 4. Algebra, Geometry, or higher mathematics;
 - 5. Statistics;
 - 6. Introduction to Computers – Word processing /spreadsheets; and
 - 7. Business or Real Estate Law.

Total credits are the total hours of equivalent college courses in lieu of an Associate degree or 21 semester credit hours for the Certified Residential appraiser. If an accredited college or university (as previously defined) accepts the College-Level Examination Program® (CLEP) examination(s) and issues a transcript for the exam, showing its approval, it will be considered as credit for the college course.
 - C. The prerequisite for taking the AQB approved examination is completion of two hundred fifteen hours (215) creditable class hours as specified in the required Core Curriculum Appendix. The applicant shall also complete the 15-hour National USPAP Course, or its equivalent including successful completion of the examination, and complete 15-hours of “basic income property appraising” as required by 201 KAR 30:050. An outline of the course contents for basic income property appraising is included as an attachment to this document.
- IV. Experience: Two thousand five hundred (2,500) hours of experience obtained during no fewer than twenty-four (24) months is required. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.



*****January 1, 2008 Certified General Real Property Appraiser Certification Requirements**

I. General Information

- A. The Certified General Real Property Appraiser Classification qualifies the appraiser to appraise all types of real property.
- B. All Certified General appraisers must comply with the COMPETENCY RULE of USPAP.

II. Examination: The AQB approved Uniform State Certified General Real Property Appraiser Examination must be successfully completed. There is no alternative to successful completion of the examination.

III. Qualifying Education

- A. Applicants for the Certified General license must hold a Bachelors degree or higher from an accredited college or university, unless the requirements of the following Section III.B are satisfied.
- B. In lieu of the Bachelors degree, an applicant for the Certified General credential shall successfully pass the following collegiate level subject matter courses from an accredited college, junior college, community college or university:
 - 1. English Composition;
 - 2. Micro Economics;
 - 3. Macro Economics;
 - 4. Finance;
 - 5. Algebra, Geometry, or higher mathematics;
 - 6. Statistics;
 - 7. Introduction to Computers – Word processing / spreadsheets;
 - 8. Business or Real Estate Law; and
 - 9. Two elective courses in accounting, geography, agriculture economics, business management, or real estate.

Total hours of equivalent college courses in lieu of a Bachelor's degree: 30 semester credit hours or its equivalent for the certified general appraiser. If an accredited college or university (as previously defined) accepts the College-Level Examination Program® (CLEP) examination(s) and issues a transcript for the exam showing its approval, it will be considered as credit for the college course.

- C. The prerequisite for taking the AQB approved examination is completion of three hundred (300) creditable class hours as specified in the required Core Curriculum Appendix. The applicant shall complete the 15-hour National USPAP Course and examination.
 - D. Applicants must demonstrate that their education includes the core courses listed in these criteria, with particular emphasis on non-residential properties. Residential is defined as "composed of one to four residential units."
- IV. Experience: Three thousand (3,000) hours of experience obtained during no fewer than thirty (30) months is required, of which, one thousand five hundred (1,500) hours must be in non-residential appraisal work. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.**



Required Core Curriculum Effective January 1, 2008

KY ASSOCIATE REAL PROPERTY APPRAISER CREDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
BASIC INCOME PROPERTY APPRAISING (KREAB Requirement Only)	15 HOURS
THE 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT	15 HOURS
ASSOCIATE EDUCATION REQUIREMENTS 75 HOURS	90 HOURS

KY LICENSED REAL PROPERTY APPRAISER CREDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
BASIC INCOME PROPERTY APPRAISING (KREAB Requirement Only)	15 HOURS
THE 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT	15 HOURS
MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
SITE VALUATION AND COST APPROACH	15 HOURS
SALES COMPARISON APPROACH	15 HOURS
RESIDENTIAL INCOME APPROACH	15 HOURS
REPORT WRITING AND CASE STUDIES	15 HOURS
RESIDENTIAL APPLICATIONS AND CASE STUDIES	15 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
LICENSED EDUCATION REQUIREMENTS	195 HOURS

KY CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER CREDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
THE 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT	15 HOURS
BASIC INCOME PROPERTY APPRAISING	15 HOURS
MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
SITE VALUATION AND COST APPROACH	15 HOURS
SALES COMPARISON APPROACH	15 HOURS
RESIDENTIAL INCOME APPROACH	15 HOURS
REPORT WRITING AND CASE STUDIES	15 HOURS
RESIDENTIAL APPLICATIONS AND CASE STUDIES	15 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES (May include hours over minimum shown above in other modules)	20 HOURS
CERTIFIED RESIDENTIAL	215 HOURS



KY CERTIFIED GENERAL REAL PROPERTY APPRAISER CREDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
THE 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT	15 HOURS
MARKET ANALYSIS AND HIGHEST AND BEST USE	30 HOURS
SITE VALUATION AND THE COST APPROACH	30 HOURS
SALES COMPARISON APPROACH	30 HOURS
REPORT WRITING AND CASE STUDIES	30 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
INCOME PROPERTY APPRAISING	60 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES	30 HOURS
(May include hours over minimum shown above in other modules)	
CERTIFIED GENERAL	300 HOURS

NOTES: 1) The total hours for each of the topic areas for each credential listed above must be satisfied. There is no specific time allotment required for the individual subtopics, but the KREAB requires that each item of every subtopic listed contain a time allowance that will permit student knowledge mastery of each subtopic in the class content. 2) Prior to offering any course for qualifying education, or advertising that a course is approved by the KREAB, education providers must apply for the course using only the KREAB application and receive written approval from the Board. 3) The KREAB may direct staff to review course submissions and recommend approval or denial. The Board may also, at its discretion, utilize the “Course Approval Program” of the Appraiser Qualifications Board for course review and approval decisions.

BASIC APPRAISAL PRINCIPLES - 30 HOURS (All Credentials)

- A. Real Property Concepts and Characteristics
 - 1. Basic Real Property Concepts
 - 2. Real Property Characteristics
 - 3. Legal Description
- B. Legal Consideration
 - 1. Forms of Ownership
 - 2. Public and Private Controls
 - 3. Real Estate Contracts
 - 4. Leases
- C. Influences on Real Estate Values
 - 1. Governmental
 - 2. Economic
 - 3. Social
 - 4. Environmental, Geographic and Physical
- D. Types of Value
 - 1. Market Value
 - 2. Other Value Types
- E. Economic Principles
 - 1. Classical Economic Principles
 - 2. Application and Illustrations of the Economic Principles



- F. Overview of Real Estate Markets and Analysis
 - 1. Market Fundamentals, Characteristics, and Definitions
 - 2. Supply Analysis
 - 3. Demand Analysis
 - 4. Use of Market Analysis
- G. Ethics and How They Apply in Appraisal Theory and Practice

BASIC APPRAISAL PROCEDURES - 30 HOURS (All Credentials)

- A. Overview of Approaches to Value
- B. Valuation Procedures
 - 1. Defining the Problem
 - 2. Collecting and Selecting Data
 - 3. Analyzing
 - 4. Reconciling and Final Value Opinion
 - 5. Communicating the Appraisal
- C. Property Description
 - 1. Geographic Characteristics of the Land/Site
 - 2. Geologic Characteristics of the Land/Site
 - 3. Location and Neighborhood Characteristics
 - 4. Land/Site Considerations for Highest and Best Use
 - 5. Improvements - Architectural Styles and Types of Construction
 - 6. Residential Applications
- D. Real Property Applications (1-4 Unit Residential and Other Property Uses)

BASIC INCOME PROPERTY APPRAISING - 15 HOURS (All Credentials - KREAB Requirement Only)

- A. Valuation Principles and the Appraisal Framework Applied to Income Properties
 - 1. Peculiarities of Income-Producing Properties for Appraisal Purposes
 - 2. Applicability of Valuation Principles to Income-Producing Properties
 - 3. The Appraisal Framework
- B. The Framework of Income Capitalization
 - 1. Rationale of Income Capitalization Analysis
 - 2. Nature of Capitalization
 - 3. Steps in the Income Capitalization Process
 - 4. Summary of Capitalizing Net Income to a Value Estimate
- C. Discounting and Compound Interest
 - 1. Discounting Process
 - 2. Compound Interest
 - 3. Use of Compound Interest and Discount Factor Tables (Six Functional of Dollar)
- D. Income Estimation and Forecasting
 - 1. Basic Guidelines to Income Forecasting
 - 2. Gross Income Estimation
 - 3. Net Income
- E. Rates of Capitalization and Rates of Return
 - 1. Rates of Capitalization
 - 2. General Characteristics of Rates Used in Appraising Income Properties



F. Derivation of Overall Rates and Discount Rates

1. Estimation of Overall Rates
2. Estimation of Discount Rates
3. Selection of Method(s) of Rate Estimation

G. Final Value estimation and Income Property Report Writing

1. Reconciling the Final Value Estimate
2. Writing the Appraisal Report

THE 15-HOUR NATIONAL USPAP COURSE OR ITS' EQUIVALENT -15 HOURS (All Credentials)

- A. Preamble and Ethics Rules
- B. Standard 1
- C. Standard 2
- D. Standards 3 to 10
- E. Statements and Advisory Opinions

MARKET ANALYSIS AND HIGHEST AND BEST USE(15-Hours Residential and 30-Hours General)

- A. Real Property Markets and Analysis
 1. Market Fundamentals, Characteristics and Definitions
 2. Supply Analysis
 3. Demand Analysis
 4. Use of Market Analysis
- B. Highest and Best Use
 1. Test Constraints
 2. Application of Highest and Best Use
 3. Special Considerations
 4. Market Analysis
 5. Case Studies

SITE VALUATION AND COST APPROACH(15-Hours Residential and 30-Hours General)

- A. Site Valuation
 1. Methods
 2. Case Studies
- B. Cost Approach
 1. Concepts and Definitions
 2. Replacement/Reproduction Cost New
 3. Accrued Depreciation
 4. Methods of Estimating Accrued Depreciation
 5. Case Studies

SALES COMPARISON APPROACH (15-Hours Residential and 30-Hours General)

- A. Value Principles
- B. Procedures
- C. Identification and Measurement of Adjustments
- D. Reconciliation
- E. Case Studies



RESIDENTIAL INCOME APPROACH (15-Hours Residential Only)

- A. Valuation Principles & Procedures - Income Approach
- B. Finance and Cash Equivalency
- C. Financial Calculator Introduction
- D. Identification, Derivation and Measurement of Adjustments
- E. Gross Rent Multipliers
- F. Partial Interests
- G. Reconciliation
- H. Case Studies and Applications

REPORT WRITING AND CASE STUDIES (15-Hours Residential and 30-Hours General)

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Forms and narrative content reports.
- D. Report Options and USPAP Compliance
- E. Case Studies

RESIDENTIAL APPLICATIONS AND CASE STUDIES (15-Hours Residential Only)

- A. Complex Property Ownership and Market Conditions
- B. Deriving and Supporting Adjustments
- C. Residential Market Analysis
- D. Advanced Case Studies in 1-4 Unit Residential Property Appraising

STATISTICS, MODELING AND FINANCE (15-Hours both Residential and General)

- A. Statistics
- B. Valuation Models (AVM's and Mass Appraisal)
- C. Real Estate Finance

INCOME PROPERTY APPRAISING – (60 hours is required for Initial General Certification). But, individuals who are moving from Licensed Residential or Certified Residential to General may apply 15-hours from the KREAB 15-Hour Basic Income Course listed in this outline, required by 201 KAR 30:050, and successfully complete an additional 45-hours of course contents to include the following outline.:

- A. Overview
- B. Compound Interest
- C. Lease Analysis
- D. Income Analysis
- E. Vacancy and Collection Loss
- F. Estimating Operating Expenses and Reserves
- G. Reconstructed Income and Expense Statement
- H. Stabilized Net Operating Income Estimate
- I. Direct Capitalization
- J. Discounted Cash Flow
- K. Yield Capitalization
- L. Partial Interests
- M. Case Studies



Candidate Handbook, Pages 7, 8, 9

KENTUCKY REAL ESTATE APPRAISERS BOARD AMP, Inc. Current Examination Content Outline

I. INFLUENCES ON REAL ESTATE VALUE

- A. Physical and environmental
- B. Economic
- C. Governmental and legal
- D. Social

II. LEGAL CONSIDERATIONS IN APPRAISAL

- A. Real estate vs. real property
- B. Real property vs. personal property
 - 1. Fixtures (2, 3)
 - 2. Trade fixtures (2, 3)
 - 3. Machinery and equipment (3)
- C. Limitations on real estate ownership
 - 1. Private
 - a) Deed restrictions
 - b) Leases
 - c) Mortgages
 - d) Easements
 - e) Liens
 - f) Encroachments
 - 2. Public
 - a) Police power
 - (1) Zoning
 - (2) Building and fire codes
 - (3) Environmental regulations
 - b) Taxation
 - (1) Property tax
 - (2) Special assessments
 - c) Eminent domain
 - d) Escheat
- D. Legal rights and interests
 - 1. Fee simple estate
 - 2. Life estate
 - 3. Leasehold interest
 - 4. Leased fee interest
 - 5. Other legal interests
 - a) Easement
 - b) Encroachment
- E. Forms of property ownership
 - 1. Individual
 - 2. Tenancies and undivided interest
 - 3. Special ownership forms
 - a) Condominiums
 - b) Cooperative
 - c) Timesharing (1, 2)



- F. Legal descriptions
 - 1. Metes and bounds
 - 2. Government survey
 - 3. Lot and block
- G. Transfer of title
 - 1. Basic types of deeds
 - 2. Recordation

III. TYPES OF VALUE

- A. Market value or value in exchange
- B. Price
- C. Cost
- D. Investment value
- E. Value in use
- F. Assessed value
- G. Insurable value
- H. Going concern value (3)

IV. ECONOMIC PRINCIPLES

- A. Anticipation
- B. Balance
- C. Change
- D. Competition
- E. Conformity
- F. Contribution
- G. Increasing and decreasing returns
- H. Opportunity cost (2, 3)
- I. Substitution
- J. Supply and demand
- K. Surplus productivity

V. REAL ESTATE MARKETS AND ANALYSIS

- A. Characteristics of real estate markets
 - 1. Availability of information
 - 2. Changes in supply vs. demand
 - 3. Immobility of real estate
 - 4. Segmented markets
 - 5. Regulations
- B. Absorption analysis
 - 1. Demographic data
 - 2. Competition
 - 3. Absorption
 - 4. Forecasts
 - 5. Existing space inventory (2, 3)
 - 6. Current & projected space surplus (2, 3)
 - 7. New space (2, 3)
- C. Role of money and capital markets
 - 1. Competing investments
 - 2. Sources of capital



- D. Real estate financing
 - 1. Mortgage terms and concepts
 - a) Mortgagor
 - b) Mortgagee
 - c) Principal and interest
 - 2. Mortgage payment plans
 - a) Fixed rate, level payment
 - b) Adjustable rate
 - c) Buydown
 - d) Other
 - 3. Types of mortgages
 - a) Conventional
 - b) Insured

VI. VALUATION PROCESS

- A. Definition of the problem
 - 1. Purpose and use of appraisal
 - 2. Interests to be appraised
 - 3. Type of value to be estimated
 - 4. Date of the value estimate
 - 5. Limiting conditions
- B. Collection and analysis of data
 - 1. National and regional trends
 - 2. Economic base
 - 3. Local area and neighborhood
 - a) Employment
 - b) Income
 - c) Trends
 - d) Access
 - e) Locational convenience
 - 4. Site and improvements
- C. Analysis of highest and best use
- D. Application and limitations of each approach to value
 - 1. Sales comparison
 - 2. Cost
 - 3. Income capitalization
- E. Reconciliation and final value estimate
- F. The appraisal report



VII. PROPERTY DESCRIPTION

- A. Site description
 - 1. Utilities
 - 2. Access
 - 3. Topography
 - 4. Size
- B. Improvement description
 - 1. Size
 - 2. Condition
 - 3. Utility
- C. Basic construction and design
 - 1. Techniques and materials
 - a) Foundations
 - b) Framing
 - c) Finish (exterior and interior)
 - d) Mechanical (2, 3)
 - 2. Functional utility

VIII. HIGHEST AND BEST USE ANALYSIS

- A. Four tests
 - 1. Physically possible
 - 2. Legally permitted
 - 3. Economically feasible
 - 4. Maximally productive
- B. Vacant site or as if vacant
- C. As improved
- D. Interim use

IX. APPRAISAL STATISTICAL CONCEPTS APPRAISAL MATH AND STATISTICS (1, 2, 3)

- A. Compound interest concepts (2, 3)
 - 1. Future value of \$1 (2, 3)
 - 2. Present value of \$1 (2, 3)
 - 3. Future value of an annuity of \$1 per period (2, 3)
 - 4. Present value of an annuity of \$1 per period (2, 3)
 - 5. Sinking fund factor (2, 3)
 - 6. Installment to amortize \$1 (loan constant) (2, 3)
- B. Statistical concepts used in appraisal
 - 1. Mean
 - 2. Median
 - 3. Mode
 - 4. Range
 - 5. Standard deviation



X. SALES COMPARISON APPROACH

- A. Research and selection of comparables
 - 1. Data sources
 - 2. Verification
 - 3. Units of comparison
 - a) Income (2, 3)
 - (1) Potential gross income multiplier (2, 3)
 - (2) Effective gross income multiplier (2, 3)
 - (3) Overall rate (2, 3)
 - b) Size
 - (1) Square foot
 - (2) Acres
 - (3) Other
 - c) Utility (examples only)
 - (1) Motel and apartment units (3)
 - (2) Theater seats (3)
 - (3) Rooms (1, 2)
 - (4) Beds (1, 2)
 - (5) Other
- B. Elements of comparison
 - 1. Property rights conveyed
 - a) Easements
 - b) Leased fee/leasehold
 - c) Mineral rights (3)
 - d) Others
 - 2. Financing terms and cash equivalency
 - a) Loan payment
 - b) Loan balance
 - 3. Conditions of sale
 - a) Arms-length sale
 - b) Personalty
 - 4. Market conditions at time of contract and closing
 - 5. Location
 - 6. Physical characteristics
 - 7. Tenant improvements (3)
- C. Adjustment process
 - 1. Sequence of adjustments
 - 2. Dollar adjustments
 - 3. Percentage adjustments
 - 4. Paired sales analysis
- D. Application of sales comparison approach



XI. SITE VALUE

- A. Sales comparison
- B. Land residual
- C. Allocation
- D. Extraction
- E. Ground rent capitalization (3)
- F. Subdivision analysis (3)
 - 1. Development cost: direct and indirect (3)
 - 2. Contractor's overhead and profit (3)
 - 3. Forecast absorption and gross sales (3)
 - 4. Entrepreneurial profit (3)
 - 5. Discounted value conclusion (3)
- G. Plottage and assemblage

XII. COST APPROACH

- A. Steps in cost approach
 - 1. Reproduction vs. replacement cost
 - a) Comparative unit method
 - b) Unit-in-place method
 - c) Quantity survey method
 - d) Cost service index
 - 2. Accrued depreciation
 - a) Types of depreciation
 - (1) Physical deterioration
 - (a) Curable
 - (b) Incurable
 - (c) Short-lived
 - (d) Long-lived
 - (2) Functional obsolescence
 - (a) Curable
 - (b) Incurable
 - (3) External obsolescence
 - (a) Locational
 - (b) Economic
 - b) Methods of estimating depreciation
 - (1) Age-life method
 - (2) Breakdown method and sequence of deductions
 - (3) Market extraction of depreciation
- B. Application of the cost approach



XIII. INCOME APPROACH

- A. Estimation of income and expenses
 - 1. Gross market income
 - 2. Effective gross income
 - a) Vacancy
 - b) Collection loss
 - 3. Operating expenses
 - a) Fixed expenses
 - b) Variable expenses
 - c) Reserve for replacements
 - 4. Net operating income
- B. Operating statement ratios
 - 1. Operating expense ratio
 - 2. Net income ratio (3)
 - 3. Break-even ratio (3)
- C. Direct capitalization (2, 3)
 - 1. Relevance and limitations (2, 3)
 - 2. Overall capitalization rate (2, 3)
 - 3. Gross income multiplier and net income ratio (2, 3)
 - 4. Band of investment (mortgage equity) techniques (2, 3)
 - 5. Residual techniques (3)
 - a) Land (building value given) (3)
 - b) Building (land value given) (3)
 - c) Equity (mortgage value given) (3)
- D. Cash flow estimates (before tax only) (3)
 - 1. Operating years (3)
 - a) Estimating NOI with a change in NOI (3)
 - b) Estimating NOI using lease information (3)
 - c) Cash flow (NOI less mortgage payment) (3)
 - 2. Reversion (3)
 - a) Estimating resale with a change in value (3)
 - b) Estimating resale with a terminal capitalization rate (3)
 - c) Cash flow (sale price less mortgage balance) (3)
 - d) Deductions for cost of sale and legal fees to arrive at a net reversion (3)
- E. Measures of cash flow (3)
 - 1. Equity dividend rate (cash on cash rate) (3)
 - 2. Debt coverage ratio (3)
- F. Discounted cash flow capitalization (3)
 - 1. Relevance and limitations (3)
 - 2. Potential gross income and expense estimate (3)
 - a) Market vs. contract rents (3)
 - b) Vacancy and lease commissions (3)
 - c) Tenant improvements and concessions (3)
 - 3. Discount rates and yield rates definition and concept but no calculations of yield rate) (3)
 - 4. Discounting cash flows (from operations and reversion where all cash flows projected in dollar amounts and tables or calculators can be used) (3)
- G. Gross rent multiplier (1, 2)



XIV. VALUATION OF PARTIAL INTERESTS

- A. Interests created by a lease
 - 1. Leased fee
 - 2. Leasehold
 - 3. Subleasehold (3)
 - 4. Renewal options (3)
 - 5. Tenant improvements (3)
 - 6. Concessions (3)
- B. Lease provisions (3)
 - 1. Overage rent (3)
 - 2. Expense stops (3)
 - 3. Net leases (3)
 - 4. Minimum rent (3)
 - 5. Percentage rent (3)
 - 6. CPI adjustments (3)
 - 7. Excess rent (3)
- C. Valuation considerations (3)
 - 1. Identifying the cash flows to the different interests including turnover ratio (3)
 - 2. Discount rate selection for different interests (3)
 - 3. Relationship between the values of the interests (3)
- D. Other partial interest
 - 1. Life estates
 - 2. Undivided interest in commonly held property
 - 3. Easements
 - 4. Timeshares
 - 5. Cooperatives

XV. APPRAISAL STANDARDS/ETHICS

Note: The numbers in parentheses following a topic indicate the examinations to which that topic is limited. All other topics are included in all three examinations:

(1) Licensed Real Property Appraiser, (2) Certified Residential, and (3) Certified General



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AMP, Inc. Current KY AQB Examination

Sample Examination Questions

The following illustrate the type of questions used in the examinations. These sample questions do not represent the full range of content or difficulty levels contained in the examinations. They are intended to help you become familiar with the types and format of questions on the examination. Read each question and decide which answer is best. You may then check your answers with the answer key that follows.

1. A two-story residence with a garage is located adjacent to an all-night repair garage. The residence is currently rented for \$400 per month unfurnished. Similar residences located in a residential subdivision rent for \$650 per month unfurnished. The market gross rent multiplier is 100. The typical building to land ratio of sale price is 3:1. What is the indicated loss in value from locational obsolescence to improvements only?
 - A. \$3,750
 - B. \$15,000
 - C. \$18,750
 - D. \$48,750
2. The appraiser can BEST judge if functional obsolescence exists in a property by
 - A. comparing the property to a model home in the subdivision.
 - B. relying on personal likes and dislikes.
 - C. considering what is generally accepted in the market.
 - D. determining the highest and best use of the property.
3. The gross rent multiplier is used as an indication of value because
 - A. it requires no adjustments.
 - B. rental information does not need to be verified.
 - C. it is one of the three approaches that must be used in the valuation process.
 - D. it expresses a constant relationship between the gross income of a property and its sale price.
4. Which group of expenses is a proper deduction when formulating the net operating income?
 - A. management, utilities, property taxes, insurance
 - B. management, utilities, income taxes, property taxes, insurance
 - C. management, mortgage payments, property taxes, utilities
 - D. utilities, recapture of investment, property taxes, insurance
5. Escheat is the governmental right to
 - A. control the air space over a property through which aircraft may pass.
 - B. take private property for public use upon the payment of just compensation.
 - C. protect public safety, health, morals, and general welfare.
 - D. take the titular ownership of a property when the owner dies without a will or known heirs.



6. Regardless of actual cost, the worth of an improvement is what it adds to the value of the whole property. This is known as the principle of.
- A. change.
 - B. conformity.
 - C. contribution.
 - D. anticipation.
7. The highest and best use of an improved property can be presumed to be its existing use unless the
- A. property is zoned commercial and lies along a major traffic artery.
 - B. value of the site as vacant exceeds the value of improvements and land in present use plus costs of demolition.
 - C. improvements can be used commercially even though the original design was for residential use.
 - D. value of the present improvements is more than the cost of demolition.
8. Which of the following BEST describes an appraisal?
- A. an estimate of sale price at a future date
 - B. an opinion of value as of a given date
 - C. a prediction of the sale price for a future date
 - D. an assessment of taxable value
9. Which of the items below is **NOT** considered real estate?
- A. a central heating unit
 - B. an attached water heater
 - C. a portable room fan
 - D. installed medicine cabinets
10. The value loss to property due to all causes is called
- A. indirect value loss.
 - B. depreciation.
 - C. physical deterioration.
 - D. economic obsolescence.



Required 2008 Topic Matrix of Course Offerings for Each Credential and for Moving From One Credential to Another

		1	2	3	4	5	6	7
	* Required Core Curriculum Topics ** Please review the required topic list of subject matters, and the required core content for each topic.	Associate Real Property Appraiser	Licensed Residential Real Property Appraiser	Certified Residential Initial	Certified General Initial	Certified Residential From Licensed	Certified General From Licensed	Certified General From Residential
1	Basic Appraisal Principles	30	30	30	30			
2	Basic Appraisal Procedures	30	30	30	30			
3	Uniform Standards of Professional Appraisal Practice (National Course)	15	15	15	15			
4	Income Property Approach	15	15	15	60		45	45
5	Sales Comparison Approach		15	15	30		15	15
6	Site Valuation and The Cost Approach		15	15	30		15	15
7	Residential Income Approach		15	15				
8	Market Analysis/Highest and Best Use		15	15	30		15	15
9	Report Writing and Case Studies		15	15	30		15	15
10	Residential Applications and Case Studies		15	15				
11	Statistics, Modeling and Finance		15	15	15			
12	Electives (Real Estate and real Estate Appraisal Courses)			20	30	20	Elective Hours satisfied from line items 7 and 10.	Elective Hours satisfied from line items 7, 10 and 12.
	Total	90	195	215	300	20	105	105

* Beginning midnight January 1, 2008 each initial applicant for a KY Credential must submit proof of completion for the hours listed in column 1 from the topics listed in lines 1 through 4, and apply for an Associate Real Property Appraiser credential. Initial applicants for a Licensed Residential Real Property Appraiser credential must submit proof of satisfactory completion for at minimum the hours listed in column 2 from the topics in lines 1 through 11. Initial applicants for Certified Residential must submit proof of satisfactory completion for at minimum the hours listed in column 3 from the topics in lines 1 through 12. Initial applicants for Certified General Property Appraiser must submit proof of satisfactory completion for the hours listed in column 4 from the topics listed lines 1 through 6, plus those in lines 8, 9, 11, and 12.

** The above list of subject matter is not intended to be course specific titles, but it is required that each course submitted for approval consideration **“must”** include content for each item listed in the content outlines for each of the course topics listed above and in the 2008 KREAB Required Core Curriculum outline.

Note: Columns 5, 6 and 7 list the course topics that will be required for completion when a current credential holder applies for one or the other credentials listed. This shall apply only to those individuals who currently hold a credential listed in columns 2 and 3 and later provides an application to the KREAB for one of the credential types listed in the columns headed 5, 6 and 7.